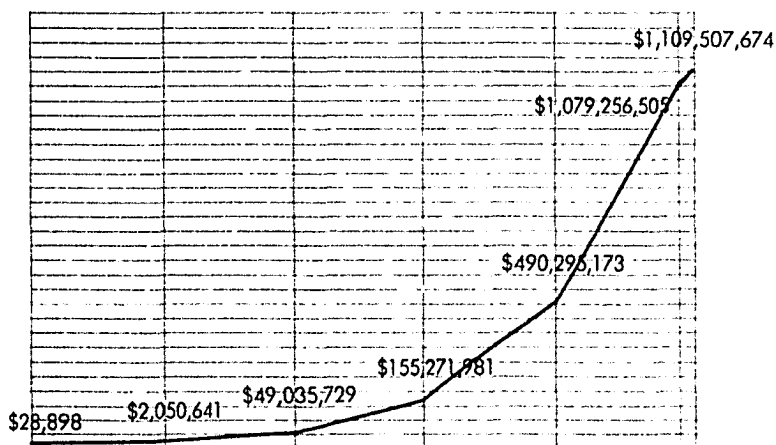


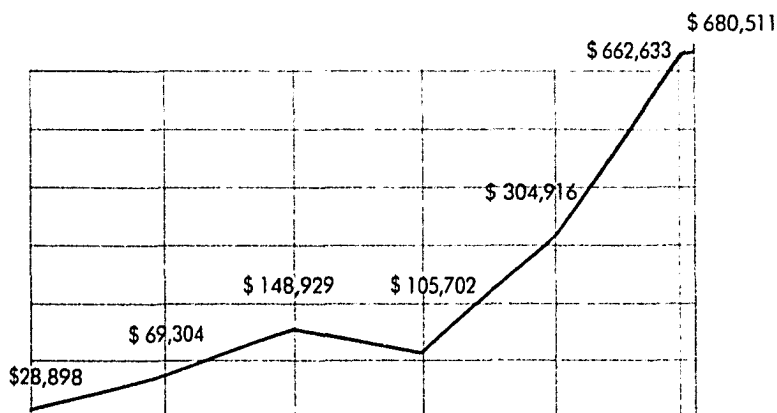
Growth

1902 1912 1922 1932 1942 1952 1953

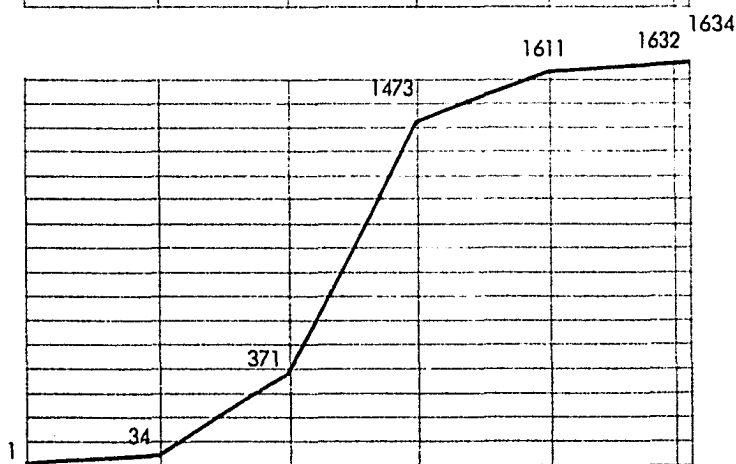
in total sales



in average sales per store



in number of stores



Comparisons

Highlights of the Penney Company's
1953 Results Compared with 1952

	1953	1952
Stores	1634	1632
Sales	\$1,109,507,674.95	\$1,079,256,505.17
Average sales per store (full year)	680,511.23	662,633.93
Net earnings	38,472,932.87	37,170,071.43
Earnings per share	4.67	4.52
Taxes—federal, state and local	64,532,672.49	64,322,528.83
Taxes per share	7.84	7.81
Dividends	28,811,832.00	28,811,832.00
Dividends per share	3.50	3.50
Earnings retained for reinvestment in the business	9,661,100.87	8,358,239.43
Inventories	142,852,863.26	159,984,333.51
Stockholders' equity	215,645,292.07	205,984,191.20
Stockholders	29,568	29,157

To the Stockholders:

This annual report, with the summary tables and detailed figures, tells the story of your Company's progress in its 52nd year. Sales reached a new high. Profits increased over the preceding year. Improvements were made in stores. The year-end inventory and cash position was most satisfactory. The Company continues to grow with a growing America. You will find further comment on these

and other matters in this report. For the directors of the Company, I express appreciation to our associates, to our merchandise suppliers, to our landlords and others with whom we do business, to you stockholders and to our millions of customers who made possible this progress. We shall make every effort to continue to merit this confidence and cooperation.

Sales

Sales for 1953 amounted to \$1,109,507,674.95 — a gain of 2.8%, or \$30,251,169.78, over 1952's figure of \$1,079,256,505.17. During the first six months the percentage of gain was greater than in the last half of the year. Unseasonably warm weather over most of the country during the

fall affected sales of winter merchandise. December sales of \$170,636,968.95, however, were the greatest for any month in the Company's history — an impressive index of the buying power of our customers and their preference for Penney merchandise and values.

Financial Position and Inventory

Cash and short-term Government securities at the year end amounted to \$164,675,856.02, or \$19,313,402.87 more than on December 31, 1952. These figures emphasize the strong financial position of your Company, which has no bank loans, notes, preferred stock, or other obligations affecting your ownership of the J. C. Penney Company. Merchandise inventories in stores and warehouses totaled \$142,852,863.26, valued on the

basis of cost or market, whichever was lower. At the end of 1952 this figure was \$159,984,333.51. Today the supply of merchandise is abundant and manufacturers are vying with each other to improve the style, quality and convenience of their products. We are paying special attention to the control of our merchandise investment in order to be in a position at all times to bring our customers the newest and the best.

Earnings, Taxes, Dividends

Net earnings for 1953 totaled \$38,472,932.87, or \$4.67 per share, an increase of \$.15 over the 1952 per-share earnings. Taxes of all kinds again took a large share of the earnings amount-

ing to \$7.84 per share. On January 1, 1954, the Excess Profits Tax law expired. We are sure you share our gratification at the end of this unsound and unwholesome tax. Divi-

dends declared last year amounted to \$3.50, and \$9,661,100.87, or \$1.17 per

share, was retained for reinvestment in our growing Company.

New Stores – Alterations and Improvements

Eight new stores were added and six stores were closed in 1953. The eight new stores already have proved that their potential volume is much greater than that of the discontinued stores. In addition, 17 established stores were relocated in new buildings and 176 others were renovated or enlarged. This program will con-

tinue, in order to help maintain or improve our competitive position and our service to customers. In November the Company's warehouse at 18th Street and 6th Avenue in New York was closed in the interests of greater efficiency. This warehouse handled chiefly women's style merchandise.

Suburban Stores and Simplified Selling

Two widely discussed topics in retailing are suburban stores and simplified selling. Neither is new to this Company. For many years, particularly on the Pacific Coast, we have obtained excellent results in suburban locations or shopping centers. The national spread of suburban shopping has greatly expanded the field for the Penney Company's growth. For 1954 we will open at least 30 new stores—our largest new-store expansion in several years. A majority of these new stores will be in suburban or shopping centers, carefully selected from the many offered.

Simplified selling also has been widely discussed in its various forms. One of these is the super-market turnstile type of self-service. We have not adopted it because we believe that an interested, intelligent salesperson is a vital element in our relations with customers. The Company has, however, always tried to make shopping easy for customers through its methods of marking, display and presentation of merchandise. During the past year a number of experiments and improvements have been made. Their beneficial results already are apparent, and they will continue.

The Penney Laboratory

In the Penney Company we believe we have a responsibility to help our customers "live better for less." That is one reason why we strive to keep our operating costs down. It is also one reason for the maintenance in our building at 330 West 34th Street, New York City, of a well-equipped, modern laboratory for constantly checking the quality of the merchan-

dise we sell. Visitors to our offices, including many merchants from other countries, have expressed astonishment at the completeness of this laboratory. Naturally, we are happy to have visitors and any stockholder is most welcome. The laboratory is further evidence of our desire to help customers "live better for less."

Penney Associates

In our Company we use the term "associate," rather than "employee." No report of this Company would be complete without reference to our associates, the Company's greatest asset. We have grown, not through the genius of any one individual or limited group of individuals, but rather through the interested, cooperative efforts of thousands of men and women—our associates—working together for a common purpose. Profit-sharing throughout the organization has contributed greatly to this

cooperation. This principle of compensation on the basis of results obtained has made possible a decentralized operation and a widespread sense of responsibility. It should be a great source of confidence to every stockholder. The high morale and spirit of team-play evident among Penney associates is often a subject of favorable comment by those outside the Company. We express deep appreciation to all Penney associates for their part in making the 1953 results possible.

Officers and Directors

During 1953 there was one change in the directors and officers of the Company. On July 1st W. M. Batten was elected a vice president. Mr. Batten has been an associate of the Company since 1935, first as a salesman, later in the Personnel Department in New

York, and since 1951 as assistant to the president. He retains this position and has assumed additional important responsibilities involving special assignments and general operation of the Company.

The Outlook

No one could be privileged to share in the general operation of a nationwide company, located in over 1600 communities, without having faith in the vitality of our American system and our free way of life. The continued increase in population, the movement to Suburbia, the urge to better living—all help to provide a constantly enlarging area of opportunity for our Company. We believe

that the Penney Company is in an excellent position to take advantage of this opportunity. Among its vital assets are its proved principles of sound merchandising, its loyal and experienced associates, its strong financial position, and its reputation for good values and fair dealings. All these combine to merit your continued confidence and support.

Sincerely yours,

A. W. Hughes

President

Annual Meeting Announcement

The annual meeting of stockholders will be held April 20th, 1954. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about March 20th, 1954. Your prompt attention to the proxy statement and proxy will be appreciated.

FINISHED
Rough Dry
ISH or
SERVICE

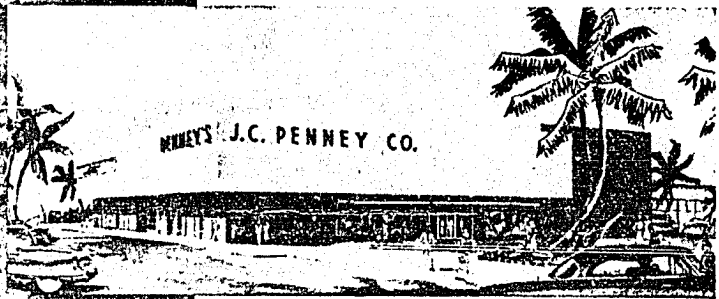
HALF
HOUR
LAUNDRY



California City Petitions Penney's To Open Store

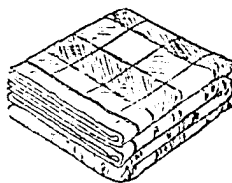
National City, California, a southern California community of about 30,000, wanted a Penney store. Many of the townspeople had shopped at Penney stores elsewhere. They missed the good values and the friendly atmosphere that characterize Penney stores. One such Penney fan was Mrs. H. A. Boland (above). Mrs. Boland first started "crusading" for a National City Penney's some years ago, talking to friends and writing letters about it. Later she circulated petitions. Her efforts proved fruitful. This fall Penney's proudly opens a handsome new store in National City (see artist's sketch below). Thank you, Mrs. Boland, and our many other good friends in National City! We are happy to be taking our place among the many fine business concerns serving your beautiful city.

WENNY'S J.C. PENNEY CO.



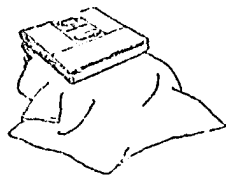
Quality Control

Although the Penney Company's sales of style merchandise bulk very large, it also sells many staple items. These items require constant testing and checking to make certain that they measure up to the Company's high quality standards. For this purpose the Penney Company maintains a modern, well-equipped textile testing and research laboratory. Last year, the laboratory ran more than 30,000 tests—all designed to maintain or improve quality. On this page are shown a few of the tests.



Blankets

Live black carpet beetle larvae are used to test blanket's moth-resistance.

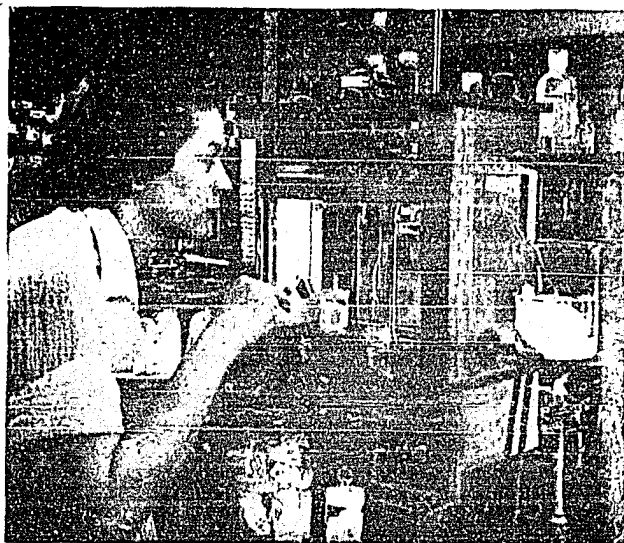
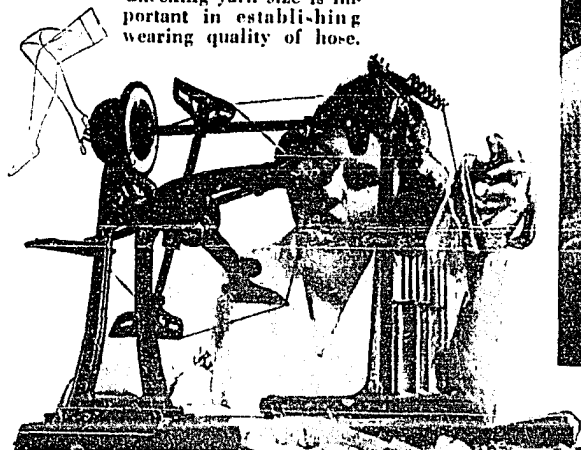


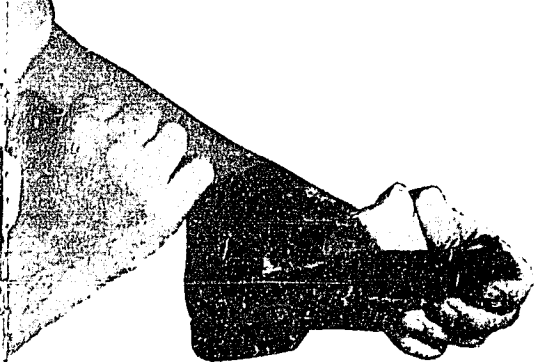
Sheets

Sheets are tested to determine quantity of sizing used in the finishing.

Hosiery

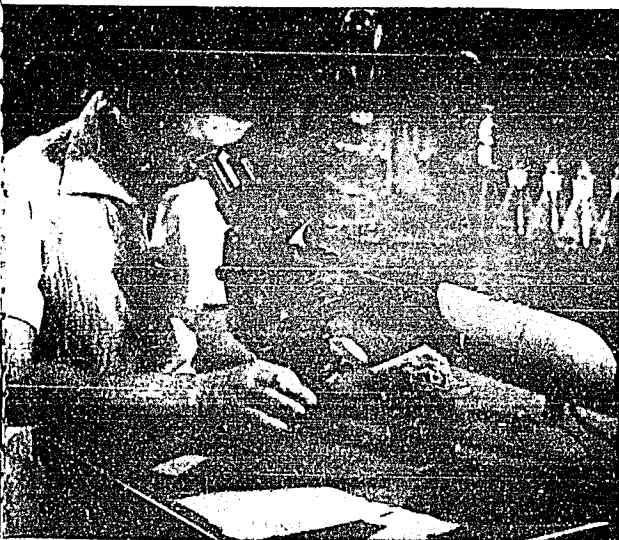
Checking yarn size is important in establishing wearing quality of hose.





Shoes

Sanitized test determines adequacy of treatment to inhibit bacterial growth.



Sweaters

Garments likely to burn readily are subjected to a flammability test (below).



Men's Suits

Microscopic analysis shows methods for cleaning and care of garments.

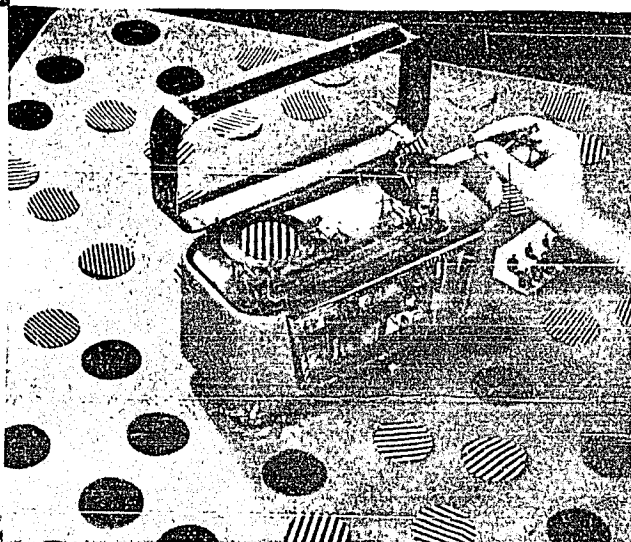
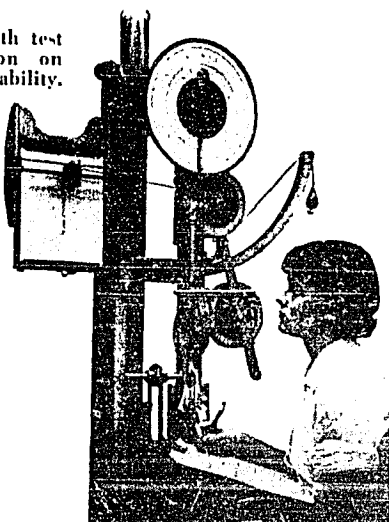


Jeans

Denim fabric is weighed on sensitive scale. Results are guide to quality.

Matched Sets

The tensile strength test gives information on fabric quality, durability.



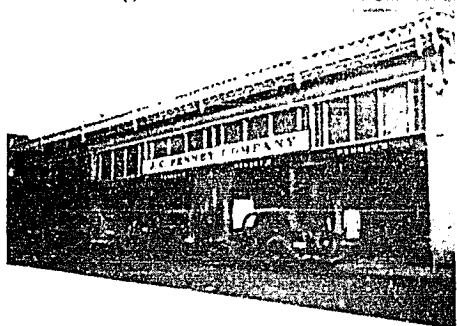
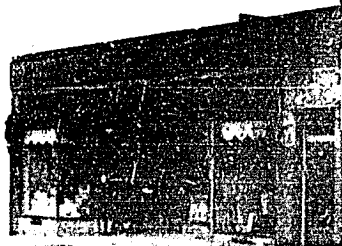
Quality Control Through Company Specifications



In addition to laboratory testing to maintain quality standards, the Penney Company sets up its own specifications for the manufacture of many items. These are rigid, detailed and numerous: Penney's matched shirt and pants set, shown on this page, requires over a thousand individual specifications, developed by the laboratory technicians in collaboration with the buyers. Some of these specifications control quality in weaving, dyeing and finishing of fabrics. These determine color-fastness, resistance to shrinkage, number of threads per inch, weight per yard, breaking strength and many other factors. Uniformity of style and size is assured by providing the producers of the finished garments with designs developed by Penney's own Pattern Division. In addition, specifications for garment construction range from the thread size to be used on a buttonhole, to the size and location of a pocket. Frequent checks of both piece goods and finished garments are made by the laboratory, and by Penney's corps of over 200 buyers in actual visits to manufacturing plants. And so the work of maintaining quality continues—to help every Penney customer "live better for less".

Old Stores Get a New Look

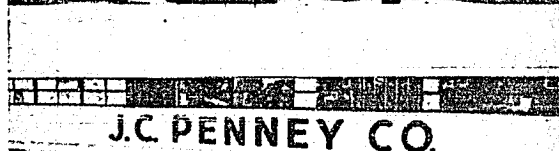
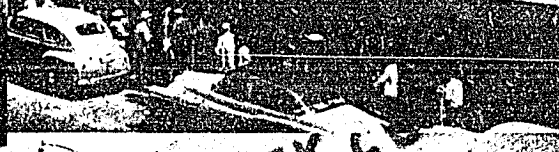
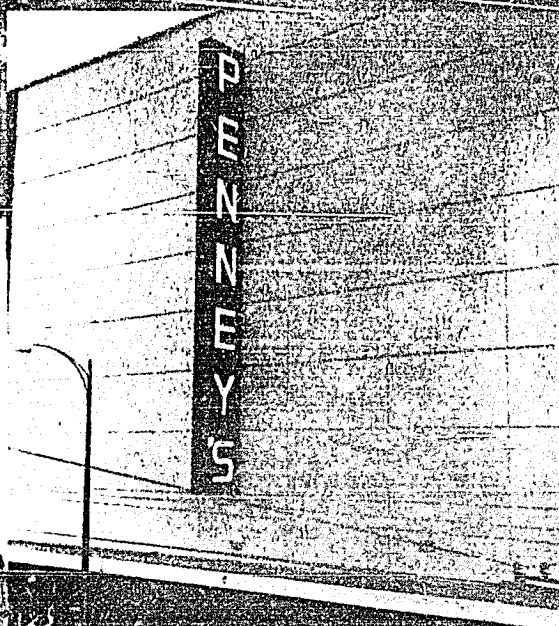
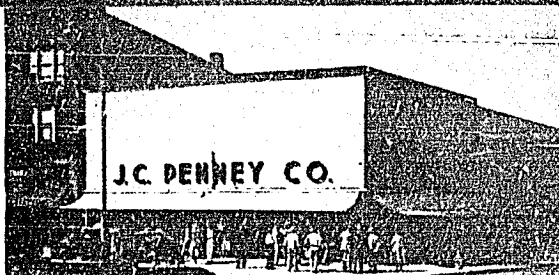
The continuing program of re-locating old stores in new buildings . . . and the remodeling of existing stores . . .



. . . results in such dramatic changes as are shown on this page.



More than 190 stores were covered by this improvement program in 1953, in addition to those established in communities new to the Penney Company.



J. C. PENNEY COMPANY

Balance Sheet as of December 31, 1953 in Comparison with December 31, 1952

ASSETS

	<u>1953</u>	<u>1952</u>
CURRENT ASSETS:		
Cash in banks and on hand.....	\$129,385,911.40	\$112,467,728.71
U. S. Government securities, at cost plus accrued interest (approximate market price)	35,289,944.62	32,894,724.44
Accounts receivable — miscellaneous.....	1,662,945.22	2,417,854.98
Merchandise (Note 1).....	142,852,863.26	159,984,333.51
Total Current Assets.....	309,191,664.50	307,764,641.64
 Investment in and Advances to J. C. Penney Building & Realty Corporation (wholly owned subsidiary), at amounts shown by subsidiary's balance sheet:		
Advances	4,793,000.00	5,243,000.00
Capital stock and retained earnings.....	2,167,642.47	2,002,658.97
	<u>6,960,642.47</u>	<u>7,245,658.97</u>
 Property and Equipment, at not in excess of cost, less provision for depreciation:		
Land	1,231,047.96	1,119,047.96
Buildings, less provision for depreciation, \$956,094.70 at December 31, 1953 and \$875,973.10 at December 31, 1952.....	1,901,021.82	1,482,395.32
Furniture and fixtures, less provision for depreciation	35,216,853.56	30,301,215.40
Improvements to leaseholds, less amortization.....	4,211,218.82	3,718,580.34
	<u>42,560,142.16</u>	<u>36,621,239.02</u>
 Prepaid Expenses and Deferred Charges—Leasehold Advances, Unexpired Insurance Premiums, etc.....	2,602,522.38	2,585,358.78
	<u>\$361,314,971.51</u>	<u>\$354,216,898.41</u>

NOTES:

- 1—Inventories are stated at the lower of cost or market determined as follows: Merchandise in stores—by the retail method. Other Inventories—cost determined mainly by the first-in first-out method and market generally on the basis of replacement cost.
- 2—At December 31, 1953 the total minimum annual fixed rentals payable under leases (excluding those with its wholly owned subsidiary) expiring after December 31, 1958 was approximately \$6,800,000. Leases covering about 80% of this amount expire on various dates prior to December 31, 1973.

J. C. PENNEY COMPANY

Balance Sheet as of December 31, 1953
in Comparison with December 31, 1952

LIABILITIES

	1953	1952
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities.....	\$ 69,759,743.74	\$ 73,883,653.64
Dividends payable in January of following year.....	16,463,904.00	16,463,904.00
Provision for Federal taxes on income.....	56,097,715.82	55,007,686.57
Total Current Liabilities.....	142,321,363.56	145,355,244.21
 Reserves for Fire Losses, Employees' Death Benefits, Etc.	 3,348,315.88	 2,877,463.00
 Stockholders' Equity:		
Common Stock, no par value:		
Authorized, 9,000,000 shares.		
Outstanding, 8,231,952 shares.....	34,122,766.67	34,122,766.67
 Retained Earnings:		
J. C. Penney Company.....	179,354,882.93	169,858,765.56
J. C. Penney Building & Realty Corporation (wholly owned subsidiary).....	2,167,642.47	2,002,658.97
	181,522,525.40	171,861,424.53
Total Stockholders' Equity.....	215,645,292.07	205,984,191.20
	\$361,314,971.51	\$354,216,898.41

ACCOUNTANTS' REPORT

To the Board of Directors,
J. C. Penney Company,
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1953 and the related statements of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the J. C. Penney Company at December 31, 1953 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.,
March 3, 1954.

PEAT MARWICK, MITCHELL & CO.

J. C. PENNEY COMPANY

Statements of Earnings and Retained Earnings for the Year Ended December 31, 1953 in Comparison with the Year Ended December 31, 1952 (Including earnings of subsidiary)

EARNINGS

	1953	1952
Sales	\$1,109,507,674.95	\$1,079,256,505.17
Deduct:		
Cost of Merchandise Sold, and Selling and General Expenses (exclusive of items set forth below).....	998,506,830.29	969,932,166.67
Maintenance and Repairs	2,091,896.17	1,936,789.90
Depreciation and Amortization.....	3,621,244.33	2,969,354.81
Taxes, other than Taxes on Income.....	8,707,672.49	8,662,528.83
Company Contributions to Retirement Plans.....	5,649,525.44	5,887,118.08
	<u>1,018,577,168.72</u>	<u>989,387,958.29</u>
	90,930,506.23	89,868,546.88
Add Discount on Purchases and Miscellaneous Income, less Miscellaneous Charges.....	3,202,443.14	2,795,872.99
	<u>94,132,949.37</u>	<u>92,664,419.87</u>
Provision for Taxes on Income:		
Federal (including \$7,760,000 excess profits tax in 1953 and \$7,700,000 in 1952).....	54,800,000.00	54,600,000.00
Other income taxes	1,025,000.00	1,060,000.00
	<u>55,825,000.00</u>	<u>55,660,000.00</u>
	38,307,949.37	37,004,419.87
Add Earnings of Subsidiary	164,983.50	165,651.56
Net Earnings for the year.....	<u>\$ 38,472,932.87</u>	<u>\$ 37,170,071.43</u>

RETAINED EARNINGS

Balance at beginning of year.....	\$ 171,861,424.53	\$ 163,503,185.10
Net Earnings for the year.....	<u>38,472,932.87</u>	<u>37,170,071.43</u>
	210,334,357.40	200,673,256.53
Dividends—\$3.50 per share.....	28,811,832.00	28,811,832.00
Balance at end of year.....	<u>\$ 181,522,525.40</u>	<u>\$ 171,861,424.53</u>

Note:

Common stock outstanding at end of year.....Shares	<u>8,231,952</u>	<u>8,231,952</u>
Earnings per share	<u>\$4.67</u>	<u>\$4.52</u>

See notes on the accompanying Balance Sheet.

J. C. PENNEY COMPANY

A DELAWARE CORPORATION

330 West 34th St., New York, N.Y.

DIRECTORS

J. C. PENNEY, *Chairman*

F. A. BANTZ	L. W. HYER
F. W. BINZEN	G. E. MACK
J. F. BROWN	E. A. ROSS
J. I. H. HERBERT	H. H. SCHWAMB
A. W. HUGHES	H. F. TORREY

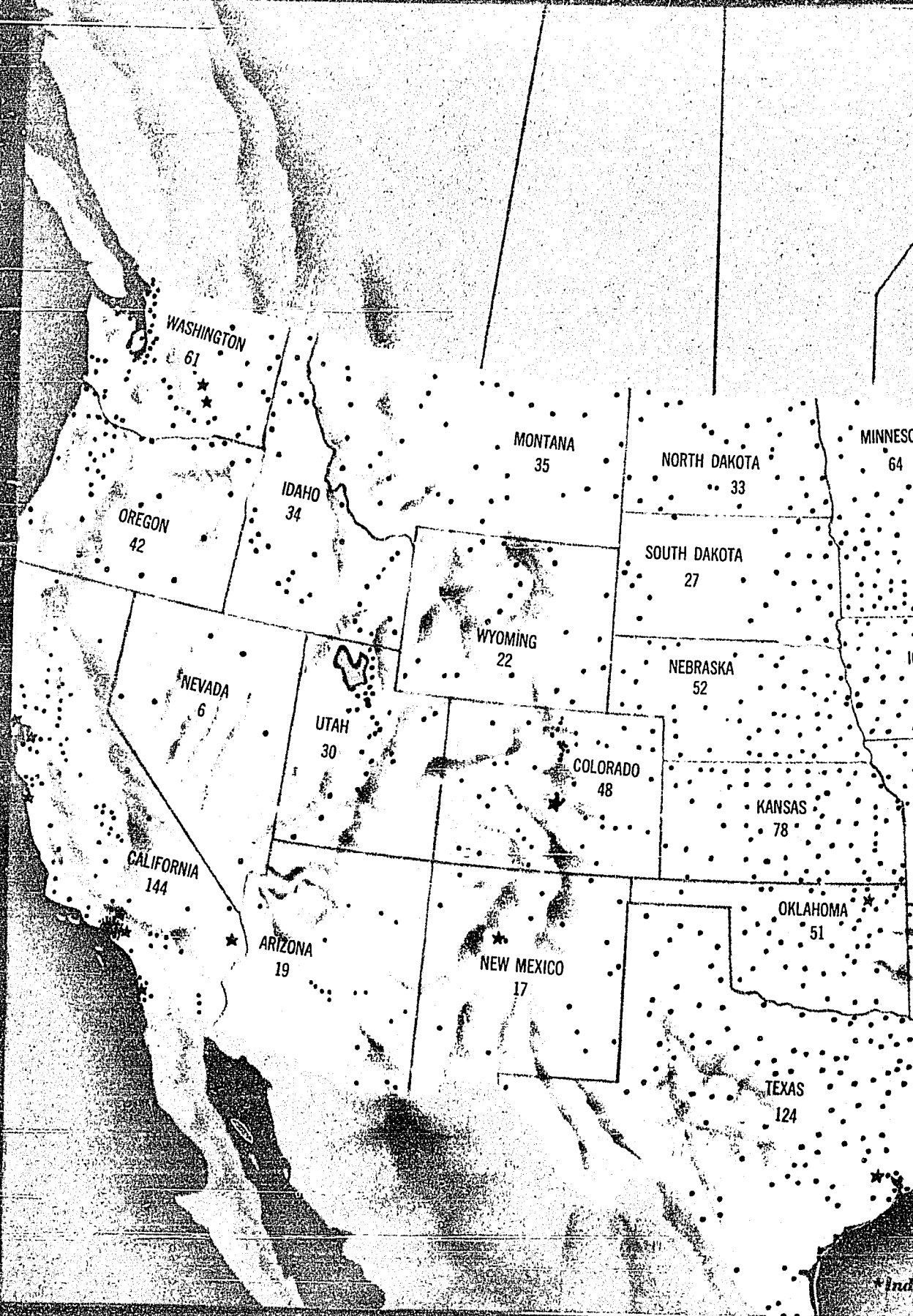
OFFICERS

J. C. PENNEY
Chairman of the Board

A. W. HUGHES <i>President</i>	J. F. BROWN <i>Vice President—Real Estate</i>
G. E. MACK <i>Executive Vice-President and Treasurer</i>	H. H. SCHWAMB <i>Vice-President—Personnel</i>
F. A. BANTZ <i>Vice-President—Merchandise</i>	H. F. TORREY <i>Vice-President—Sales</i>
W. M. BATTEN <i>Vice-President</i>	A. J. RASKOPF <i>Secretary</i>
R. C. WEIDERMAN <i>Comptroller</i>	



there's a Penney store near you! . . .



Over 1600 Penney Stores to Help You
"Live Better for Less"

Always First Quality

